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30 July 56

USSR LOANS AND CREDITS

1946-July, 1956

Since 1946 the USSR has extended approximately \$5 billion in loans and credits to other countries of the Sino-Soviet Bloc. Communist China (\$1.5 billion) and East Germany (\$1.4 billion) have received about 58 percent of total Soviet aid to the Bloc (See Table I). In contrast, since 1954 Soviet credits to the Free World are approximately \$450 million. About 95 percent of this total has been extended to Yugoslavia, India, and Afghanistan; the remainder to Finland and Argentina.

The major portion of the loans and credits to the Bloc (about 65 percent) has been extended for the purchase of Soviet-owned properties (\$2.1 billion in East Germany, Rumania, Hungary, Bulgaria and China) and for military assistance (\$1.2 billion to China and Hungary).

Approximately \$1.7 billion in loans and credit has been extended to the Bloc for economic development and for imports of foodstuffs and raw materials from the West and the USSR. These credits are similar to those extended to the West and therefore are more appropriate as a basis for comparison than the credits for purchasing Soviet property and for military assistance (See Chart I). The major recipients of these loans and credits to the Bloc have been Poland, China, and East Germany. These nations have received approximately 75 percent of the total.

Until 1955, USSR credits to non-Bloc countries were almost negligible.

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As has been the case with credits to the Bloc, credit agreements with the underdeveloped countries involve general commitments to furnish capital goods and technical services. The USSR, however, has followed a policy of providing the types of projects these countries desire, which was not true in the case of the European Satellites. Industrial development in the European Satellites was generally patterned after that of the USSR, in which heavy industry was developed at the expense of consumer industries and agriculture.

In most cases repayments of loans and credits to the Bloc as well as payments of interest charges were made in the form of commodity shipments. Frequently, these commodities were taken from the production of the projects for which credits were extended. The USSR has expressed a willingness to accept commodities in repayment of loans to non-Bloc countries.

Interest charges on loans and credits to the Bloc range from 1 to 3 percent with repayment over a period of 1 to 10 years. Interest charges to the underdeveloped countries of the Free World have usually been at the rate of 2 to 2½ percent with the major Soviet loans to be repaid within periods ranging from 10 to 30 years.

It is probable that the loans and credits to the Bloc have been beneficial both to the recipient and to the creditor. In the immediate postwar years the USSR supplied the European Satellites with urgently needed grain and raw materials. Through loans for economic development and direct investment in Soviet-owned properties the USSR has assisted in the development of a vastly

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expanded industrial capacity.

For the USSR, these loans and credits have enhanced its position of control over the economies of the other Bloc countries receiving the credits. In frequently specifying the commodities to be sent in repayment, the USSR has been able to direct investment within the Bloc along lines desired by the USSR.

The underdeveloped countries outside the Bloc have found the willingness of the USSR to extend substantial credits to be another major source of capital for their investment programs. At times the USSR has been ready to undertake projects which, in the opinion of Western officials, were of marginal economic importance. The USSR has extended credits to the underdeveloped countries at rates of interest much below those which Western sources of investment capital have been willing to offer. Of major significance is the expressed willingness of the USSR to accept repayment in domestic products (often in surplus commodities) or local currency.

For the USSR, the program of economic assistance to the underdeveloped countries serves as a major instrument in both political and economic penetration, in addition to providing the USSR with a source of agricultural commodities needed to bolster one of the major weaknesses in the Soviet economic system.

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TABLE I

USSR Loans and Credits to the Sino-Soviet Bloc

(1946-mid 1956)

(Millions \$US)

	<u>Purchase of Soviet Holdings</u>	<u>Military Loans</u>	<u>Economic Development</u>	<u>Commodity Imports</u>	<u>Total</u>
Bulgaria			93		93
Czechoslovakia				48	48
East Germany	1,020			363	1,383
Hungary	180	210		40	430
Poland			590	64	654
Rumania	800			33	833
Communist China	100	1,000	430		1,530
North Korea			40		40
	<u>2,100</u>	<u>1,210</u>	<u>1,118</u>	<u>548</u>	<u>4,976</u>

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